DUST-UP: L.A.'S HOUSING CRISIS

Regulating our way to prosperity?

All week, Joseph Mailander and Peter Dreier debate Los Angeles housing policy and solutions.

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Are the increasing restrictions placed on landlords too heavy, too light, or just right? Joseph Mailander and Peter Dreier debate whether City Hall gone too far or not far enough in reining in property rights. Yesterday Dreier and Mailander sketched out the contours of what they think this housing crisis is. Later this week, they'll argue rent control, propose solutions, and clear up myths.

Developers cry wolf, politicians believe them
By Peter Dreier

The debate over housing policy—whether at the local, state, or federal level—is ultimately about the proper role of government in society. This involves various kinds of subsidies, tax breaks and other incentives (for developers, tenants, and homeowners) and regulations (over land use, building codes, and discrimination). What's the proper balance between profits and the public interest?

The current debate in Los Angeles over inclusionary zoning, condo conversions, and tenants rights reflects these larger questions. Housing and community activists, union leaders, and some business entrepreneurs, and their allies in City Hall, want the city to strengthen city regulations on developers and landlords in order to create more affordable housing and protect the existing stock of affordable housing. Developers and landlords have their own friends in City Hall, and they're resisting the regulations.

City Councilmember Bernard Parks, for example, opposes any restrictions on condo conversions. He thinks its sufficient for the city to require converters to give tenants moving expenses—even though the vacancy rate is invisible and there are few places for renters to move to. That's like giving people food stamps when the grocery shelves are empty. In the L.A. Times yesterday, Parks argued that "the market's natural ability to adjust itself to meet the needs of supply and demand cannot be overlooked. When the supply of condominiums or market-rate rentals rises, then the demand is satisfied, which results in lower prices." There's absolutely no evidence for this statement, and there's absolutely no chance that L.A. can build its way out of its housing crisis, but Parks seems to believe it anyway.

I wonder if Parks, L.A.'s former police chief, would say that same thing about the "supply and demand" for guns. Does he think we should just let the market work? Forget about government's role in protecting people?

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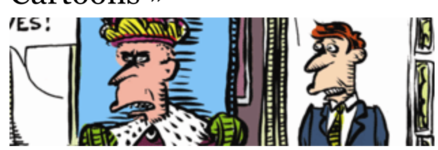

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Then there's Ben Reznick, an attorney for Simms Commercial Development, which wants build a 438-unit luxury housing complex at Warner Center. According to the L.A. Times last week, Reznick says that the City Council's requirement that the project include 25% below-market apartments is a financial burden on his client. (And, let's be real, the rents for the so-called "affordable" units were $1,463 for a one-bedroom unit and $1,674 for a two-bedroom—more than most schoolteachers or cops could afford). Referring to Simms' complaint, City Councilmember Dennis Zine, no radical, said: "We've got to maintain the livelihoods for working people so they don't have to move to Lancaster and Palmdale and spend $2 to $3 a gallon on gas to drive the freeways every day," he said. "It's a quality-of-life issue. I want hard-working people to be able to afford a residence in Los Angeles." (Zine is right, and hopefully he'll be a "yes" vote when the Council considers an inclusionary zoning law).

Let's not forget developer Geoff Palmer, who likes to give his luxury developments Italian names like Medici, the Orsini and the Piero. A few months ago, Times columnist Steve Lopez wrote a few pieces about Palmer, pointing out that last summer, he bought a $17-million beachfront house in Malibu, "with solid bronze doors, teak cabinets and his-and-hers bathrooms." Apparently that's his weekend retreat. His main residence is, according to Lopez, a "French Regency-style Beverly Hills estate he bought for $21 million in 2001. That property includes a 16,400-square-foot main house, plus two guest houses, each larger than 5,000 square feet." Last December, the community group ACORN visited Palmer's Beverly Hills house to protest his resistance to a city requirement that he set-aside 15% of the units in his proposed Lorenzo luxury project downtown for housing that regular people —nurses, teachers, firefighters—can afford. When Councilmember Ed Reyes, a real housing hero, tried to talk to Palmer about affordable housing, Palmer told him: "That's not my problem. That's your problem."

Well, Mr. Palmer, it is your problem, and its your responsibility—although not yours alone.

To understand why Parks, Reznick, and Palmer are misguided, let's put this debate over housing regulations in a broader, and historical, perspective.

More than a century ago, Americans forged a social contract with American business. It said, in essence, that business should be able to make a profit, but it must also be socially responsible. So, local, state and federal governments passed laws regulating their activities. In the early 1900s, state and then the feds adopted child labor laws to end the exploitation of children in factories. In 1938, Congress enacted a federal minimum wage to guarantee the workers had enough money to feed and clothe their families; 28 states have adopted their own minimum wage laws to account for higher living costs.

In the 1970s, Congress and states passed environmental laws— requiring factories and auto companies to limit pollution—so that we have clean drinking water and clean air, and to protect the public health. For the same reason, we require oil companies to remove lead from the gasoline we put in our cars and trucks. In 1970, Congress enacted the Occupational Safety and Health Act to require employers to meet basic workplace safety standards. To protect workers and consumers, we've outlawed companies from using certain toxic chemicals.

We inspect medicines, food and other consumer items to make sure that they are safe; since the 1970s, the federal government has required drug and food companies to show the ingredients on their labels. Counties and cities require restaurants to maintain clean kitchens and safe food, or risk losing their licenses to remain open. Federal laws outlaw banks from the practice of "redlining" —discriminating against minority borrowers if they can afford to repay the loans. States regulate private utility companies, setting their rates (prices) so that families and businesses can have electricity.

When these laws were first proposed, business and their industry lobbies protested. They argued that these laws violated their property rights, or that they would cost too much to implement and force entire industries to shut down.

Indeed, whenever public officials and community leaders proposed policies to make business act more responsibly, some business leaders reply in horror that it would destroy the incentive to invest and hurt the business climate. Let's call this the "Chicken Little" syndrome or, to use another metaphor from children's fables, crying "wolf." Sound familiar?

But businesses learned to adapt to these requirements and make healthy profits. Most Americans think that these laws have made our country a better place to live and work.


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Government investments in education, roads, transportation facilities, communication systems, and research and development, as well as our legal system of contracts, has allowed business to flourish. The quid-pro-quo— the social contract—is that businesses must behave responsibility; they owe something back to the broader community. Since Americans also don't trust businesses to act responsibly on their own (i.e., voluntarily), they support laws that involve inspections, fines, and other penalties for violating the laws. What about housing?


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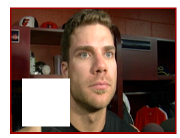
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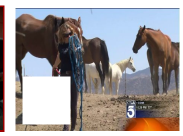
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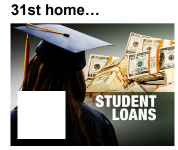

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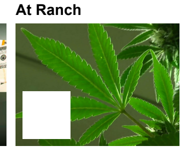
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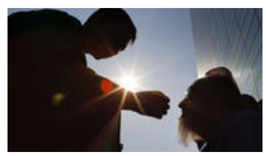
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